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Patent Office
Canberra

I, LEANNE MYNOTT, MANAGER EXAMINATION SUPPORT AND SALES hereby certify that annexed is a true copy of the Provisional specification in connection with Application No. 2004907385 for a patent by HOME-RETIRE PTY LTD as filed on 31 December 2004.

COMMONWEALTH OF AUSTRALIA
AUSTRALIA
PATENT OFFICE

WITNESS my hand this
Sixth day of September 2005

LEANNE MYNOTT
MANAGER EXAMINATION SUPPORT
AND SALES

Home Retire

Financial Product for Retirees

Patent Pending

®

Home Retire

PTY LTD
ABN 85 108 005 509

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LIFE EXPECTANCY INCOME STREAM FOR RETIREES

Commercial - in – Confidence

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1.0 PRODUCT OVERVIEW

Financial products suitable for three identifiable and substantial mortgage markets:

- Retiree 65 years and over seeking a life expectancy income stream
- Baby boomers 50 to 65 years seeking to save for retirement
- Investors seeking to maximise income from their investment properties

Common to each of the above are the following characteristics:

- Unencumbered property available for security
- Accesses equity otherwise locked in the home or investment property
- Is not a typical reverse mortgage

2.0 PRODUCT OBJECTIVES

Use of a typical reverse mortgage currently favoured in the market will create a massive debt over the loan period as loan interest is entirely accrued and compounded annually. This will, inevitably, require the secured property (usually the family home) to be sold to pay the debt. Indeed, there is a further risk that the sale value may not even equal or exceed the ultimate loan payout.

Accordingly, the fundamental objectives of the Home-Retire product is two-fold:

- To provide a life expectancy income stream to Retirees
- To enable the secured property to be retained at the end of the loan period

The first objective is achieved by a monthly or quarterly return of capital (less applicable interest expense, charges and fees) to the Retiree over the loan period which is capital guaranteed.

The second objective is achieved by paying all or part of the mortgage interest monthly or quarterly as it is incurred rather than capitalising interest in full throughout the loan term.

This in turn facilitates repayment of the final loan balance by simply refinancing of the family home or investment property through re-valuation taking into account the capital gain on the property over the loan term.

It should be noted that the Home-Retire financial model sets a target average investment earnings rate whereby, if achieved, all mortgage interest will have been paid. Under such conditions, the only obligation of the Retiree is to then repay the principal at the end of the loan term.

2.1 Target Market Sector

This Overview describes the product's application to the Retiree market only:

- Retirees 65 years or over
- Owners of unencumbered home
- Asset rich/cash flow poor (or those seeking to increase cashflow)
- With or without Spouse/De facto Partner
- With or without dependants
- Retirees, because of age, will have missed the opportunity to accumulate sufficient superannuation savings because of the late introduction of compulsory superannuation

2.2 Product Comparison

For illustrative purposes the following shows the differing payouts under the Home-Retire product and a typical reverse mortgage.

In this example the owner of a $ 600,000 home seeks a tax-free net annual income stream of $ 12,000 using a 45% LVR loan facility over 15 years at a borrowing rate of 8%.

Three investment scenarios are shown where average investment returns are lower than target earnings, where target investment earnings are achieved and where average investment earnings exceed target rates:

<u>Scenario A –Below target investment earnings rate (say 8.5%)</u>

		Loan Payout After 15 years
Reverse mortgage		$ 573,540
Home-Retire		$ 338,640
	Saving to Retiree	$ 234,900

<u>Scenario B – At Target investment earnings rate (say 9.75%)</u>

		Loan Payout After 15 years
Reverse mortgage		$ 573,540
Home-Retire		$ 270,000
	Saving to Retiree	$ 303,540

<u>Scenario C – Above target investment earnings rate (say 10.5%)</u>

		Loan Payout After 15 years
Reverse mortgage		$ 573,540
Home-Retire		$ 218,541
	Saving to Retiree	$ 354,999

In virtually all investment and interest rate conditions the loan payout using the Home-Retire product will be significantly <u>lower</u> than under a typical reverse mortgage since the investment fund will be always earning some amount of investment income to pay, rather than defer and compound, mortgage interest in whole or part.

3.0 PRODUCT DESCRIPTION

The Home-Retire product is new and innovative. It has some general features in common with all mortgages and investment products but is a unique combination not currently offered in the market. Furthermore, each of its specific product components has new and unique patentable features that distinguish the Home-Retire product from anything before or currently offered in the market.

3.1 General features

The Home-Retire product combines the following general features into a seamless financial product:

- Interest only mortgage secured by registered first mortgage over residential or investment property
- Variable or Fixed interest rate (optional)
- Loan term determined by reference to actuarial life expectancy tables
- Loan to Value Ratio (LVR) from 20-50% depending upon age and selection of variable or fixed interest rate mortgage
- Managed investment fund
- Capital guarantee
- Life expectancy income stream
- Investment income bonuses
- Complying benefits under Social Security rules
- 100% Primary reversionary benefit to Spouse/de facto partner
- Secondary reversion to Retiree's beneficiaries (optional)
- Insurance to cover financial risk components for securitisation (optional)
- Health and hospital insurance cover for over 65's (optional)

3.2 Product components

The Home-Retire product comprises two specific product components each with its own unique and specific patentable characteristics:

- Mortgage product
- Investment product

These product components may be offered in one seamless product by a single organization or as two separate products. They may also be offered by two separate organizations but sold by in combination through accredited intermediaries such as financial planners.

There is a clear marketing advantage to be gained from the structuring of the Home-Retire product as two product components since, unlike typical reverse mortgages, the intermediary or sales distributor derives multiple income or commission streams.

3.3 Patentable unique features of the Mortgage Product component

The Mortgage product component is neither a traditional interest only mortgage nor a typical reverse mortgage.

It is an entirely new and different form of mortgage not currently provided in the market. It is a "hybrid" form of flexible mortgage that combines new and unique elements with features of standard existing mortgages.

The Home-Retire mortgage product component is designed to provide a capital lump sum and charge interest at variable or fixed rates in the usual manner. It is intended that the Home-Retire Investment product component will provide investment income to meet mortgage interest charges as they are incurred throughout the loan term.

Where investment income is not sufficient to meet the interest charge then and only then will the interest charge be capitalised, in whole or part.

Equally, where investment income exceeds the interest charge then any prior capitalised interest payments may be paid to avoid the negative effect of compounding interest.

In other words, the Home-Retire mortgage product component is, uniquely, able to "switch" from a traditional interest only mortgage to a reverse mortgage (and vice versa), as investment conditions require.

In summary, the general features of the Mortgage Product component are:

- Interest only
- Variable or 30 year fixed interest rate option
- Graduated scale of break costs (in the case of fixed interest rate loans)
- 20-50% LVR depending upon age and selected interest rate option
- Loan term determined by reference to borrower's age and actuarial life expectancy tables
- Secured by registered first mortgage over unencumbered property

These general features are enhanced by the patentable features unique to the Home-Retire Mortgage Product component:

- Hybrid form of mortgage containing features of both a standard interest-only mortgage and a typical reverse mortgage
- Flexibility to pay or capitalise interest (in whole or part) at any time, at the option of the borrower
- Ability to pay previously capitalised interest (in whole or part) at any time, at the option of the borrower without penalty
- The incorporation of "Primary" and "Secondary" reversionary provisions in both the Mortgage Product component and the accompanying Investment Product component
- Primary reversion means that upon the early death or the borrower, benefits revert 100% to the Spouse/de facto Partner for the remainder of the loan term
- Secondary reversion means that upon early death of both the borrower and early death of the Spouse/de facto Partner benefits then further revert 100% to the Beneficiaries for the remainder of the loan term

In terms of drafting, the form of mortgage is more akin to a typical reverse mortgage so as to overcome the legal difficulties of the lender in writing mortgages to borrowers without the demonstrated ability to service the interest and repay the loan.

Refer to Section 5.0 and the spreadsheets containing sample Home-Retire loan analyses Annexed hereto for specific rates, charges and fees associated with the Mortgage Product component.

3.4 Patentable features of the Investment Product component

The Investment Product component is equally important as the Mortgage Product component to the overall Home-Retire financial product.

It is the Investment Product component that is relied upon to fulfil two important functions:

- Provide income stream to the Retiree
- Derive investment income to pay mortgage interest (in whole or part) as it is incurred

In summary, the general features of the Investment Product component are:

- Managed investment fund
- Zero residual balance
- Income generating investment portfolio
- Capital guaranteed
- Investment term matches loan term

The Investment Manager is required to perform the following tasks on behalf of the fund:

- Manage investments to maximise income
- Regular returns of capital to the Retiree (weekly, monthly, quarterly or yearly)
- Make regular mortgage interest payments
- Receive interest payments and administration charges from Retiree
- Make regular health insurance payments (optional)

These general features are enhanced by the patentable features unique to the Home-Retire Investment Product component:

- Simple interest is charged to the Retiree on the regular payments, as made
- Administration fee is charged to the Retiree
- Capital guarantee
- Equities based investment portfolio to maximise income and achieve a higher mean earnings rate (MER) than typically associated with capital guaranteed funds
- A mix of cash and shorter term liquid investments to meet routine commitments and cashflow requirements of fund
- Flexible and individual fund start dates associated with each mortgage as they are sold as opposed to fixed terms typical of universally subscribed capital guaranteed or defined outcome investment products
- The fixing of individual fund exit dates assists in management of the investment portfolio to maximise income. Fixed exit dates are ensured by having all loans go to full term (even in the event of early death of the borrower) through the unique 'primary' and 'secondary' reversionary benefit provisions of the Investment Product component and the accompanying Mortgage Product component
- A target average investment earnings rate is set according to the Home-Retire financial model which, if exceeded, will result in investment profits in given fund years
- The Home-Retire financial model underlies the sample loan analysis spreadsheets Annexed hereto
- Investment profits are accrued as Bonuses for distribution to the Retiree at the discretion of the Fund Manager
- Accrued but undistributed Bonuses may be applied in whole or part by the Funds Manager to previously capitalised mortgage interest payments or interest payments currently due in any poor performing fund year
- At the expiry of the loan term all accrued Bonuses must be distributed to the Retiree
- Fund Manager may share in any Bonus distribution as a form of performance fee/incentive reward
- Option to include over 65's hospital and health insurance cover

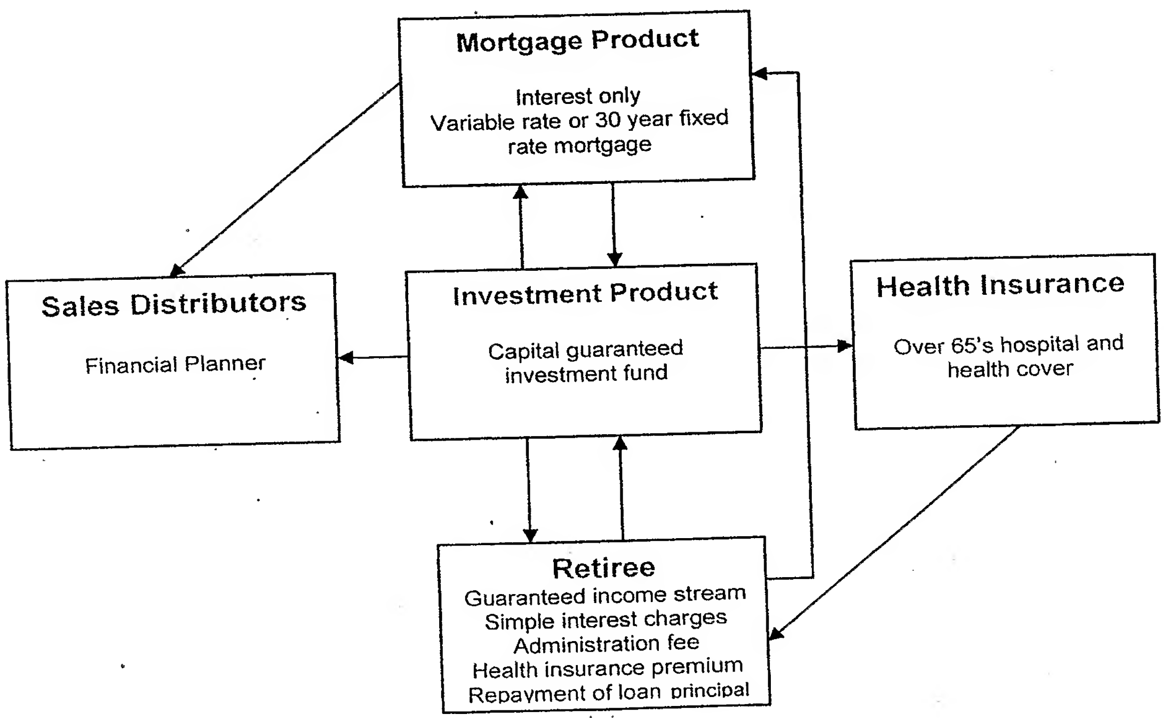
Refer to Section 5.0 and the spreadsheets containing sample Home-Retire loan analyses Annexed hereto for specific rates, charges and fees associated with the Investment Product component.

4.0 PRODUCT COMPONENTS AND ALLIANCE PARTNERS

The Home-Retire bundles various product components into one seamless financial product.

4.1 Product Components

The following sets out the product components and flow of funds using the Home-Retire product:



4.2 Alliance Partners

Having due regard to the linked credit provider provisions of the Trade Practices Act and State Consumer Codes which makes both the credit provider and the service provider jointly and severally liable for acts and representations, Home-Retire adopts either of the following business models:

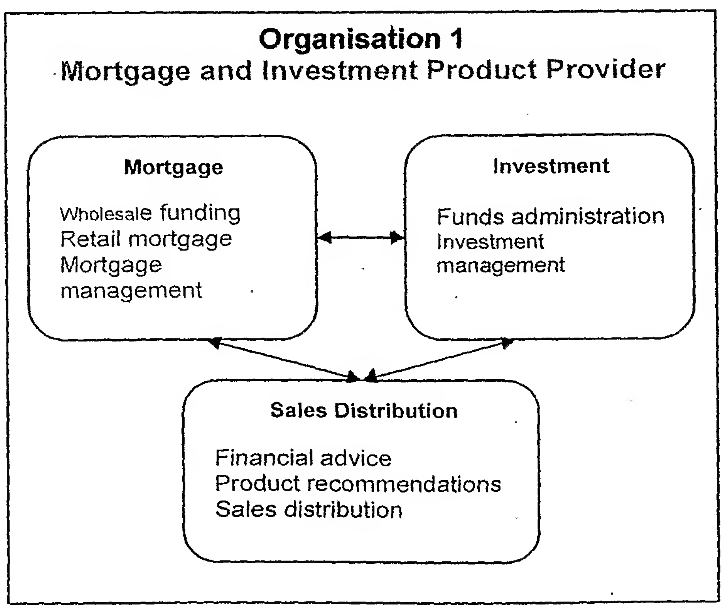
- Single Provider Model
- Dual provider Model

4.3 Single Provider Model

Under the single provider model one organization is licensed by Home-Retire to provide both the Mortgage Product component (the credit provider) and the Investment Product component (the service provider).

Such a model is ideal for trading banks, investment banks, insurance companies and large financial services organizations with both wholesale funding ability, associated or in-house funds management operations and their own established distribution channels.

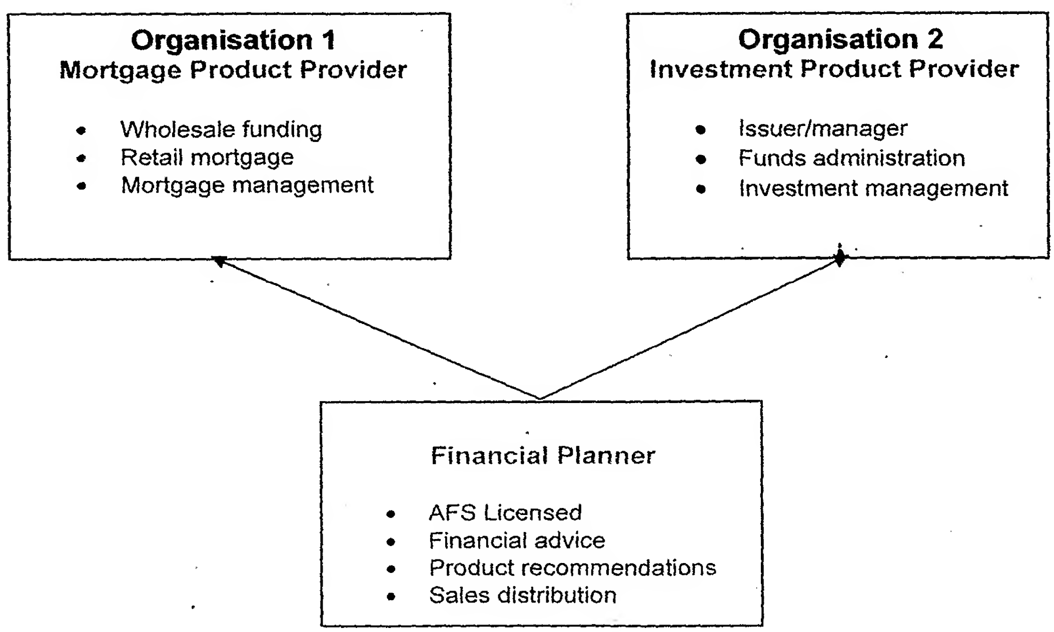
Under this model the two product components may be linked as one or sold individually.



4.4 Dual Provider Model

Under the dual provider model two separate organizations are separately licensed by Home-Retire to provide the Mortgage Product and Investment Product components respectively.

Under his model the two product components are not directly linked. They are recommended in combination but sold separately by independent intermediaries, usually accredited financial planners.



5.0 Roles and Responsibilities of Alliance Partners and Borrowers

Home-Retire seeks to license the best-of-breed alliance partners to provide the product components:

5.1 Wholesale Funding

- Provides wholesale funding at 7.9% p.a. (variable) or 8.5% (30 year fixed)
- Rate includes a loan margin payable to any mortgage retailer/originator

5.2 Retail Mortgage

- Provides 15 year interest only mortgage at 7.975% (variable) or 9.025% (15 year fixed)
- Processes registered first mortgage over home security property
- Receives one-off loan application fee of 0.5% of loan principal from Retiree
- Receives one-off valuation fee of $400 from Retiree
- Receives net loan margin of 0.7% p.a. from wholesale funder
- Pays Sales Distributor upfront commission of 0.5% of loan principal
- Pays Sales Distributor trailing commission of 0.05% p.a. for life of loan
- Pays Home-Retire loan margin over-ride of 0.025% for life of loan
- Receives monthly or quarterly mortgage interest payments from Investment Fund
- Pays one-off Valuer fee of $400
- Pays balance of loan principle to Investment Fund Manager

5.3 Issuer/Investment Fund Manager

- Receives loan principal from retail mortgage provider
- Invests loan principal in capital guaranteed managed investment fund
- Makes monthly or quarterly mortgage interest payments to retail mortgage provider
- Devises and manages investment portfolio
- Seeks to earn or exceed target average investment earnings rate of 9.75% (in the case of a variable interest rate loan)
- Accrues excess earnings over and above target average earnings rate as undistributed Bonuses
- Makes periodic distributions of Bonuses to Retiree
- Charges Retiree simple interest charge of 8.95% on each gross monthly or quarterly payout (not on loan principal)
- Receives gross investment managers fee of 1.25% of annual fund balance (0.75% to Investment Funds Manager plus 0.5% to Issuer/Manager) for life of loan
- Pays Sales Distributor trailing commission of 0.25% of annual fund balance for life of loan
- Pays Home-Retire one-off Royalty payment of 0.5% of loan principal
- Tops up any shortfall in target earnings using accrued but undistributed Bonuses from prior fund years
- Notifies retail mortgage provider of any interest payment shortfall to be capitalised for any particular fund year

5.4 Retiree

- Pays retail mortgage provider loan application fee of 0.5% of loan principal
- Pays retail mortgage provider valuation fee of $400
- Receives guaranteed monthly or quarterly income stream being payments in equal instalments over 15 years (less deductions for simple interest, administration charge and health insurance premium)
- In event of Retiree's early death 100% reversionary benefits to Spouse/De facto Partner for remainder of loan term
- In event of early death of Spouse/De facto Partner 100% reversionary benefits to Retiree's Beneficiaries
- At target average investment earnings rate Retiree will have paid all mortgage interest during term of the loan leaving only obligation to repay principal
- Average capital gain of 3.1% over loan term will exceed loan principal owed thereby enabling family home to be re-financed and retained by Spouse or Beneficiaries
- Where target average investment earnings are not achieved during the loan term there will be some interest capitalised and payable at the end of the loan term
- Where target average investment earnings are exceeded during the loan term the fund will declare Bonuses which may be distributed or accrued till the end of the loan term at the Investment Manager's discretion to provide for fluctuations in fund earnings from year to year

5.5 Sales Distributors

- One exclusive Sales Distributor appointed to each sales channel
- Distributor retains exclusive rights within the channel provided minimum sales targets are achieved
- Recommends purchase of the Mortgage Product component in combination with the Investment Product component
- Receives sales commission from the Mortgage Product component of 0.5% of loan principal (upfront) plus 0.05% loan margin (trailing)
- Receives sales commissions from the Investment Product component of 0.25% of annual fund balances (trailing)
- Channels include:
  - Mortgage originators
  - Banks
  - Insurers and insurance agents
  - Accountants
  - Financial Planners
  - Health Funds
  - Industry and Aged Care Associations
  - Health Care and Aged are Providers

5 FINANCIAL ANALYSIS

6.1 Sample Loan

The spreadsheets attached hereto set out the quarterly analysis of a sample Home-Retire loan over a 15 year term.

In this example the home value is $600,000 with a LVR of 45% and principal loan amount of $270,000 providing a quarterly payment to the Retiree of $4,500 (gross) or $ 2,392 (net).

In this example the Retiree has opted to <u>include</u> top health and hospital insurance coverage for over 65's within the Home-Retire package.

The first spreadsheet uses a variable rate interest only mortgage. The second spreadsheet uses a 30 year fixed rate interest only mortgage

Whilst the standard Home-Retire financial model underlies these examples, it should be noted that the specific interest and earnings rates shown are indicative only and may not accurately reflect current market rates.

6.2 Annual Sales

The Home-Retire Business Plan is based upon sales of 5,000 mortgages in the first year and incremented annually over 15 years adopting the following spread of loans:

Home Value	Loan Principal	Total %
350,000	157,500	30
500,000	225,000	25
600,000	270,000	20
800,000	360,000	12
1,000,000	450,000	10
2,000,000	900,000	3

6.3 Budgeted Revenue

Based upon the variable interest rate sample loan and the sales projections, the budgeted revenues for each of the Home-Retire alliance partners is, as follows:

			Sample Loan	Total Year 1
			$	$
Wholesale Funder			291,600	1,458,000,000
Retail Mortgage Provider			28,350	141,750,000
Investment Fund Manager			30,837	154,185,000
Health Insurer			37,500	187,500,000
Sales Distributor- Mortgage Product				
	Upfront	1,350		6,750,000
	Trailing	2,025		10,125,000
- Investment Product				
	Upfront	Nil		Nil
	Trailing	6,167	9,542	30,835,000

6.4 Capital Appreciation and Home Value

The sample loan used in the spreadsheets of $ 600,000 produces a loan at 45% LVR of $ 270,000. Using the capital appreciation rate over 15 years of 3.1% p.a. (as quoted by Chief Economist of AMP being the annual average of home value increases over the long term to date since 1926) the home value would then be $ 946,165.

This creates a capital gain to the Retiree of $ 346,165 against a loan principal repayment of only $ 270,000.

Unlike shared equity loans, the difference of $ 76,165 would accrue 100% (where target average investment earnings are achieved) under the Home-Retire product to the Retiree. Where target average investment earnings are not achieved, any capitalised interest would, of course, be deducted from this amount.

7.0 SUMMARY

The Home-Retire has developed an innovative financial product that provides Retirees with a worthwhile life expectancy income stream (with optional health and hospital insurance coverage) and complies with Social Security Rules.

The Home-Retire product combines a Mortgage Product component with an Investment Product component, each having specific characteristics unique to the market.

The financial model underlying the Home-Retire product has been designed such that the cost of borrowed funds will determine a target average investment earnings rate where, if achieved, will ensure all mortgage interest will have been paid by the end of the loan.

This leaves only the loan principal to be repaid or re-financed at the end of the loan.

Where the rate of appreciation of home prices is 3.1 % p.a. over the long term as reported from 1926 to date (CountWealth publication Winter 2004 Issue No. 77), the capital gain will exceed the loan principal to be repaid.

Where interest rate and investment conditions deteriorate and the target average investment earnings are not achieved then the mortgage interest due is capitalised in whole or part for that poor performing fund year.

When compared with typical reverse mortgages and under all interest rate and investment conditions, the Home-Retire will result in a lower loan payout at the end of the long since the investment fund will always be deriving some investment earnings.

Accordingly, the unique features of the Home-Retire product offer the only real retirement solution whereby the Retiree can maintain lifestyle and still retain the family home for his or her benefit. Because it is also a 100% reversionary product Home-Retire will also benefit the nominated Spouse/De facto Partner and/or Beneficiaries in event of the Retiree's early death during the loan term.

Unlike so-called 'retirement products' being offered by banks and some financial institutions the entire loan amount cannot be drawn down by the borrower at commencement. This obviously encourages a 'spending' attitude rather than a 'savings' one.

With Home-Retire the loan amount is provided solely for the purpose of purchasing an investment product which provides a capital guaranteed income stream regularly throughout the Retiree's life expectancy years of retirement.

Home-Retire's product is protected by patents pending through Spruson & Ferguson, Patent Attorneys,

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DISCLAIMER

The information in this document is a draft proposal of a general nature only provided to facilitate initial discussion of the technology and preferred business arrangement and relationship. While the information is provided in good faith each party should undertake and rely on its own enquiries in relation to the technology and to verify the appropriateness of the proposed structure, including the receipt of independent patent, legal, tax, actuarial and financial advice before relying on it. The information may be subject to assumptions and qualifications not disclosed in this document and is subject to change.

ANNEXURE

Frequently Asked Questions

Q. What is the difference between using a variable rate interest only mortgage and a year fixed interest rate mortgage?

The purpose of providing a sample loan analysis for either type of mortgage is to show the effect of the differential costs of borrowing to the Home-Retire financial model.

Fixed rate mortgages will always be at least 0.75 to 1.25% dearer than variable rate mortgages (depending upon 5, 10, 15 or 30 year fixed terms) and will, therefore, require the setting of higher target average investment earnings in the fund.

However, by offering either type of interest rate regime, the Retiree can choose the level of interest rate risk.

The Retiree should take into consideration that variable rates will move with the market and, over time, so will investment earnings associated with the borrowings. On the other hand, fixed rates are more expensive and will require a higher target average investment earnings rate to self-balance the model.

Under a fixed rate mortgage there will be a greater chance that some mortgage interest will remain payable at the end of the loan term if the higher target average investment earnings are not achieved. Additionally, fixed interest mortgages are subject to costs should the Retiree vacate the home or payout the loan early.

Q. What is meant by 'self-balancing' the Home-Retire financial model?

The Home-Retire financial model sets a target average investment earnings rate to be achieved by the Funds Manager. This is an average rate over the life of the loan and, where achieved, ensures that <u>all</u> mortgage interest will have been paid <u>in full</u>.

This is a unique feature of the Home-Retire product that ensures the crippling compounding effect of deferral of all mortgage interest until the end of the loan as under a typical reverse mortgage is avoided.

Q. What type of investment fund is it?

The fund is a capital guaranteed fund thereby ensuring the loan principal is at all times protected and available for income distribution to the Retiree.

The fund relies on a portfolio of asset classes and is heavily equities based in order to achieve higher returns that historically associated with capital guaranteed funds.

In the last year a new generation of capital guaranteed and defined outcome financial products have emerged underwritten by major institutions such as Citigroup, Westpac, Credit Suisse, Colonial Mutual, Prudential and NAB.

It has to be recognised that a proportion of funds will be required to kept in low yielding cash and fixed interest securities to meet liquidity and cashflow requirements of the fund as it meets its routine Retiree payments and pays the periodic mortgage interest payments.

Q. What happens if the investment fund earns less than the target earnings?

The target average investment earnings rate is an average over the life of the loan. These loans are for periods upto 15 years which should offer the opportunity sufficient time for the investment manager to smooth out the highs and lows of investment market and interest rate cycles.

The target rate is set by the Home-Retire financial model and should be compared with 3 or 5 year historical average returns of the Top 20 Fund Managers.

However, investment returns are subject to market conditions and fluctuations. Returns will vary from fund year to fund year throughout the course of the loan term.

The Investment Manager will utilise various investment risk management and hedging strategies within the investment portfolio itself. Additionally, under the Home-Retire product the Investment Manager is able to utilise further risk management tools in any poor performing fund year, including:

- Investment profits above the target average investment earnings from prior years may be accrued at the Investment Manager's discretion rather than paid out as periodic Bonuses to the Retiree
- Unpaid Bonuses may be used by the Investment Manager to maintain a 'notional' target earnings rate by topping-up actual earnings
- Make a recommendation to the Retiree, depending upon market conditions, to swap from fixed interest rates to variable interest rate under the mortgage

Under abnormal market conditions where poor returns are experienced over a prolonged period, the continuing payment of mortgage interest plus Retiree income may result in a fund deficit in later years.

There are six possible ways of normally dealing with this situation:

- Pass the risk onto the Retiree by simply shortening the loan term, as required, in order to avoid deficit funding and remove cashflow negative years in the latter part of the loan term
- Cover the risk with some form of mortgage or financial insurance
- Seek an income or interest rate guarantee and factor in the further cost
- Adopt an ultra conservative investment strategy or one that is fully hedged
- Draw down a prior arranged second loan tranche to top up the investment fund
- Release further equity in the home to continue funding based on a re-valuation supported by capital growth in the value of the property

Home-Retire considers each of these options to be unacceptable and prefers to deal with any investment risk in the following unique manner:

- To permit the Retiree to swap from fixed interest rate to variable rate under the mortgage
- Use a new type of 'hybrid' flexible mortgage that has the features of both a 'vanilla' interest only mortgage and a typical reverse mortgage
- This permits the capitalisation of all or part of the mortgage interest in any poor performing fund year
- Any capitalised interest can be repaid from investment profits or accrued Bonuses of future fund years
- This product feature further enables the Investment Manager to smooth out investment and interest rate market cycles
- Any unpaid mortgage interest remaining at the end of the loan period is capitalised with the loan principal and repaid by the Retiree in the usual manner

Adopting this approach the Home-Retire loan payout will, even under adverse investment conditions, <u>always be substantially less</u> than a typical reverse mortgage.

Of course, there will be <u>no</u> mortgage interest payable where target average investment earnings are achieved over the life of the loan.

Q What happens where investment earnings exceed the target rate?

The Home-Retire financial model sets the target average investment earnings rate. The principal aim of the financial model is to 'self-balance' and, thereby, ensure all mortgage interest is paid at the end of the loan period.

Where the Investment Manager achieves above average investment performance and exceeds target earnings in any fund year, there will be an investment profit.

Throughout the term of the loan the profit is accrued as a Bonus payable to the Retiree. The timing of any Bonus distribution is entirely at the discretion of the Investment Manager.

The Investment Manager shares in any Bonuses distributed as a performance incentive to maximise investment earnings.

Upon expiry of the loan term all remaining accrued Bonuses must be distributed to the Retiree.

PATENT PENDING		Mortgage and Investment Product for Retirees - Hospital, Health & Inco			Copyright Home-Retire P
Mortgage Principal LVR = 45%	Quarter	Loan Application fee Fee = 0.5% of loan principal	Valuation fee Fee = $400	Mortgage Interest Wholesale Rate = 7.9% (Includes cost of managing mortgages)	Sales Distrib Mortgage Pro Upfront commission = 0.
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270,000	4			5,333	
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270,000	27			5,333	
270,000	28			5,333	
270,000	29			5,333	
270,000	30			5,333	
270,000	31			5,333	
270,000	32			5,333	
270,000	33			5,333	
270,000	34			5,333	
270,000	35			5,333	
270,000	36			5,333	
270,000	37			5,333	
270,000	38			5,333	
270,000	39			5,333	
270,000	40			5,333	
270,000	41			5,333	
270,000	42			5,333	
270,000	43			5,333	
270,000	44			5,333	
270,000	45			5,333	
270,000	46			5,333	
270,000	47			5,333	
270,000	48			5,333	
270,000	49			5,333	
270,000	50			5,333	
270,000	51			5,333	
270,000	52			5,333	
270,000	53			5,333	
270,000	54			5,333	
270,000	55			5,333	
270,000	56			5,333	
270,000	57			5,333	
270,000	58			5,333	
270,000	59			5,333	
270,000	60			5,333	
270,000		1,350	400	319,950	

NOTES:

1. Sample loan based on home value of $ 600,000 @ 45% LVR Retiree 65 years of age (i.e . Term 15 years)
2. Wholesale mortgage funding rate 7.9% pa. (Variable interest) Retail mortgage lending raIte 7.975% p.a.
2. Fund is self-balancing at 9.75% p.a. target investment earnings with no further liability for interest repayments
3. Where target investment earnings are achieved the only remaining obligation of Retiree at end of loan term is to repa
4. Capital appreciation of the original security property at a rate of 3.1% p.a. permits refinancing by borrower (or depend
5. Earnings above 9.75% p.a. are distributed to the Retiree by way of Periodic Bonuses at the discretion of the Investme

6.Principal is Capital Guaranteed by the Fund Manager/Investment Underwriter

7. External mortgage is variable interest Only

td 2004		**Home Valuation = $600,000**		**Variable Interest Mortgage**	
	Sales Distributor	Home-Retire	Valuer	Retiree Guaranteed Payout	
t	Mortgage Product	Mortgage Product	Valuation fee = $400	Term = 15 years	
of principal	Trailing commission = 0.05% loan margin	Loan margin over-ride= 0.025%		(Gross Quarterley Payment)	(A
338	34	20	400	4,500	
338	34	20		4,500	
338	34	20		4,500	
338	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
	34	20		4,500	
1,350	2,025	1,215	400	270,000	

ginal Principal of $ 270,000. Where earnings are below target some or all interest will be capitalised to the loan balance for the relevant fund year.
wishing to keep family home) out of capital gain at end of loan term
anager and which are not shown in this analysis. These Bonuses may be shared with the Fund Manager as an additional performance based incentive fee.

Retiree's Interest Charge mple fixed interest = 8.95% es once only to Retiree Gross)	Retiree Admin Fee Annual Fee=1.5% (Based of Loan Principal)	Retiree Health Insurance Contribution (Over 65) Contribution = $2500 p.a.	Health Insurer Top Cover Premium Premium = $2500 p.a.	Retiree Guaranteed Payout Term = 15 years (Net Quarterly Payment)	Inve Earr (Base
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
403	1,080	625	625	2,392	
24,165	64,800	37,500	37,500	143,535	

...ment Earnings ...s rate=9.75% ...n fund balance)	Interim Fund Balance (Sub-total)	Fund Manager & Issuers Fees Total fee = 1.25% of Fund Balanc	Sales Distributor Investment Product Trailing Commission = 0.25%	Home Retire Royalty Investment Product Royalty = 0.5% of Loan Principal	Fund Balance (Total)
6,401	269,010	841	168	1,080	266921
6,344	266,613	833	167		265613
6,286	264,157	825	165		263166
6,226	261,642	818	164		260660
6,173	259,410	811	162		258438
6,118	257,125	804	161		256161
6,063	254,784	796	159		253828
6,006	252,386	789	158		251439
5,947	249,929	781	156		248992
5,887	247,412	773	155		246484
5,826	244,834	765	153		243916
5,763	242,194	757	151		241285
5,699	239,488	748	150		238590
5,633	236,717	740	148		235830
5,565	233,879	731	146		233002
5,496	230,971	722	144		230105
5,425	227,992	712	142		227137
5,352	224,941	703	141		224098
5,278	221,815	693	139		220984
5,202	218,614	683	137		217794
5,124	215,334	673	135		214526
5,044	211,974	662	132		211179
4,962	208,532	652	130		207750
4,878	205,007	641	128		204238
4,792	201,395	629	126		200640
4,704	197,695	618	124		196954
4,614	193,906	606	121		193178
4,522	190,023	594	119		189311
4,427	186,047	581	116		185349
4,330	181,973	569	114		181291
4,231	177,800	556	111		177133
4,129	173,525	542	108		172875
4,025	169,146	529	106		168512
3,918	164,661	515	103		164043
3,809	160,066	500	100		159465
3,697	155,359	485	97		154776
3,582	150,537	470	94		149973
3,464	145,598	455	91		145052
3,344	140,538	439	88		140011
3,221	135,355	423	85		134848
3,094	130,046	406	81		129558
2,965	124,607	389	78		124140
2,832	119,036	372	74		118589
2,697	113,329	354	71		112904
2,558	107,483	336	67		107079
2,415	101,494	317	63		101113
2,269	95,359	298	60		95002
2,120	89,075	278	56		88741
1,966	82,638	258	52		82328
1,809	76,043	238	48		75758
1,649	69,288	217	43		69028
1,484	62,369	195	39		62135
1,315	55,280	173	35		55073
1,143	48,019	150	30		47839
966	40,581	127	25		40429
784	32,961	103	21		32838
599	25,156	79	16		25062
408	17,161	54	11		17097
213	8,971	28	6		8937
14	581	2	0		579
234,806		30,837	6,167	1,080	